

KYRGYZSTAN:
RESULTS REVIEW AND RESOURCE REQUEST (R4)

USAID Regional Mission for Central Asia
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I. OVERVIEW AND FACTORS AFFECTING PROGRAM PERFORMANCE

The development context in Kyrgyzstan has not changed significantly over the past year. Kyrgyzstan remains the most open of the five countries of Central Asia in both economic and political terms. Specifically, the ongoing transition, though difficult for the average Kyrgyz, has included some of the most far-reaching reforms in the former Soviet Union. In economic terms, Kyrgyzstan is well on the road to macroeconomic stabilization. Complementing this positive development are achievements in privatization and overall economic restructuring. Specifically, the passage of a comprehensive tax code in mid-1996, the completion of the Mass Privatization Program, and the establishment of a small but growing stock exchange all serve to strengthen Kyrgyzstan's market economy, as does Kyrgyzstan's progress with the World Trade Organization (WTO) application process. However, the country's relative isolation, poor transport routes, and inability to access international markets suggest prolonged economic uncertainty. Nevertheless, the country's major hydro resources, significant mineral deposits, and magnificent mountain scenery may yet result in a prosperous future.

On the democratic front, despite occasional setbacks, Kyrgyzstan is the most democratic country in Central Asia. The press is relatively free and an active parliament and vocal NGO sector helps ensure that key issues are discussed and brought before a wide audience before they are acted upon. However, in the context of daily living, many Kyrgyz citizens face difficulties in coping with the transition. High unemployment combined with price increases has left many citizens scrambling to meet their daily needs. The danger is that this situation may lead to active opposition to reform. Helping to counter this possibility has been implementation of cost-effective, market-based approaches to maintain services in the health and housing sectors.

II. PROGRESS TOWARD ACHIEVING STRATEGIC OBJECTIVES

Per guidance received from Washington, this section provides performance assessments on the Mission's strategic objectives in Kyrgyzstan. The specific objectives addressed are as follows:

- SO 1.1 Increased transfer of state-owned assets to the private sector
- SO 1.2 Increased soundness of fiscal policies and fiscal management practices
- SO 1.3 Accelerated development and growth of private enterprises
- SO 1.4 A more competitive and market-responsive private financial sector
- SO 2.1 Increased, better-informed citizens' participation in political and economic decision-making
- SO 2.3 More effective, responsive, and accountable local government

SO 3.2 Reform strategies in selected social sectors developed and implemented

In addition to the above, region-wide strategic frameworks have been developed for the following regional initiatives, which cover all or most of Central Asia and are described fully in the Regional R4 for Central Asia:

SO 1.5 More economically sound and environmentally sustainable energy system as the primary engine of economic growth for Central Asia

SO 3.3 Reduction in regional economic and political tensions generated by transboundary environmental issues

Other activities in Kyrgyzstan include the use of health earmarks for medical partnerships, reproductive health, and infectious diseases. While worthwhile endeavors, these items are not part of our core program. Hence, in conformity with R4 guidance, they are evaluated through one or more indicators and corresponding targets under the following Special Objective:

SO 4.1 Special Initiatives

Similarly, Eurasia Foundation activities are not an integral part of our core program. Hence, their activities are now grouped under:

SO 4.2 Cross-Cutting Initiatives

Since the Eurasia Foundation does not report to the Mission, we have not provided an indicator or target to describe their activities. Finally, significant resources are devoted to training in the United States, third countries, and the Central Asian region. The purpose of this effort is to reinforce USAID/CAR technical assistance through exposure of key officials and private sector individuals to positive reform experiences in other countries. The cross-cutting nature of this program under SO 4.2 and the fact that its impact is measured in other strategic objectives means that a formal R4 framework is not required.

SO 1.1 INCREASED TRANSFER OF STATE-OWNED SHARES TO THE PRIVATE SECTOR

A. OVERVIEW AND FACTORS AFFECTING STRATEGIC OBJECTIVE PERFORMANCE

No significant changes have taken place in the development context of strategic objective 1.1.

B. PROGRESS TOWARD OBJECTIVE

1. Performance Analysis

S.O. 1.1 Increased transfer of state-owned assets to the private sector-The primary baseline figure on which the privatization program in Kazakhstan is judged is the number of former state-owned enterprises, and the number of employees of such enterprises, now operating in the private sector. In both regards, the USAID privatization program met its targets. Specifically, 82 percent of state-owned entities which were corporatized and then placed in the mass privatization program are now privately owned, against a target of 80 percent.

Progress rating: Targets achieved; project completed

2. Expected Progress Through FY 1999 and Management Actions

The project was completed in 1996 and has essentially fulfilled all the parameters of strategic objective 1.1.

3. Performance Data Tables

OBJECTIVE: 1.1 Increased transfer of State-Owned assets to the Private Sector APPROVED: 07/12/96 COUNTRY/ORGANIZATION: USAID/Kyrgyzstan			
RESULT NAME: Increased Transfer of State-Owned Assets to the Private Sector			
INDICATOR: Percent shares of state economic enterprises created at the time of corporatization fully privatized			
UNIT OF MEASURE: percent SOURCE: State Privatization Committee INDICATOR DESCRIPTION: % of the 963 state-owned enterprises corporatized in 1991 that attained majority private ownership COMMENTS: The program exceeded its target and concluded a successful program of transfer of state-owned assets to the private sector	YEAR	PLANNED	ACTUAL
	1993	-	47%
	1996	80%	82%

SO 1.2 INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES

A. OVERVIEW AND FACTORS AFFECTING STRATEGIC OBJECTIVE PERFORMANCE

The R4 tree and Performance Data Table for Strategic Objective 1.2 were submitted in draft for review in April 1996. They were subsequently modified per feedback received in USAID/W in May 1996 and as a result of ad hoc recommendations.

B. PROGRESS TOWARDS OBJECTIVE

1. Performance Analysis

As in all former Soviet republics, Kyrgyzstan lacked the systems, procedures, and technical expertise to formulate and manage a coherent national fiscal policy when it declared independence. However, the Government has made considerable progress in the last three years. Through cuts in production and consumption subsidies and short-term cash management measures, the Ministry of Finance has enhanced fiscal control, resulting in a significant budget deficit reduction (to approximately 6 percent of GDP in 1995 down from 12.5 percent in 1992). This drop in inflationary pressure contributed to a dramatic reduction in inflation, now stabilized at approximately 2.5 percent per month. Finally, there has been substantial progress in passing a new tax code in June 1996. Initial steps have been taken to rationalize intergovernmental financial relations and the national budgeting process.

Progress rating: Overall progress to date is guardedly considered to be better than expected.

As can be seen in the R4 tree the major IRs include:

1.2.1 Central Government shifted roles and responsibilities as primary fiscal manager and regulator vis-a-vis local government, state owned enterprises and private sector.

1.2.2 Government complied with international financial institutions' conditions.

1.2.3 Taxes are more fairly and broadly applied and enforced.

1.2.4 Improved budget management.

The performance in each area is described below.

IR 1.2.1 Central Government shifted roles and responsibilities as primary fiscal manager and regulator vis-a-vis local government, state-owned enterprises and private sector-The performance indicator is a decentralization ratio, local government revenues as a percent of total government revenues. The unit of measure is percent.

While Kyrgyzstan has made substantial progress in decentralizing selected fiscal responsibilities on a pilot basis (in the Karakol region), little has been achieved heretofore in terms of a nation-wide decentralization of such responsibilities. In February 1997, a USAID-funded advisor began working on core intergovernmental finance issues (including fiscal decentralization) as part of a joint effort with the World Bank's Public Sector Resource Management Loan (PSMRL) technical assistance effort.

The Government had eagerly sought this technical assistance, and we anticipate that substantial progress will be made during 1997.

Progress rating: The overall progress to date for this indicator is considered to be on track.

IR1.2.2 Government complied with international financial institutions' conditions-The performance indicator is compliance. Government adheres to conditions set forth by the international financial institutions' for additional assistance. The unit of measure is Yes/No (or Partial).

The Government of Kyrgyzstan is now in the third year of its three-year Extended Structural Adjustment Facility (ESAF) with the IMF. The Government has generally satisfied IMF performance targets. The Government has also recently negotiated a PSMRL that will be used to focus on more rapid fiscal restructuring, including decentralization. It is essential for the Government to continue to meet these IFI program targets. Failure to do so would constitute a major obstacle to further sustained progress under this strategic objective.

Progress rating: Overall progress to date is on track.

IR1.2.3 Taxes are more fairly and broadly applied and enforced-The performance indicator is the rate of tax compliance, tax revenues as a percent of GDP. The unit of measure is percent.

A USAID-funded fiscal advisory team has provided significant support to the Ministry of Finance of Kyrgyzstan in formulating sound fiscal policies. USAID took the lead role in developing the new tax code, a major improvement over the highly distortive and inequitable tax system currently in place. USAID-funded advisors have also built revenue and expenditure tracking systems in the Ministry of Finance, as well as a sophisticated tax policy-simulation model, which are being used by the Government of Kyrgyzstan as fiscal policy tools. In addition, USAID is providing intensive support to help modernize direct and indirect tax administration systems, including comprehensive automation of the tax information system. The vast majority of this work is scheduled to be completed by the end of 1997. USAID-funded advisors are also promoting the adoption of modern budget process laws and a new budget classification system.

Progress rating: Progress to date is on track.

IR 1.2.4 Improved budget management-The performance indicator is fiscal arrears as a percent of GDP, general fiscal deficit (accrued basis) less general fiscal deficit (cash basis) as a percent of GDP. The unit of measure is percent.

There is no data currently available on this indicator.

Progress rating: N/A

2. Expected Progress through FY1999 and Management Actions

Fiscal activities will continue into FY1999. Upon completion of the work on the tax code, the project's efforts shifted to the introduction of a modern tax administration system, which has already enhanced revenue performance and should provide greater equity for taxpayers. USAID advisers will also continue to concentrate on training and assisting the State Tax Inspectorate in the development of a comprehensive, computerized tax processing system. Local staff at the Office of Tax Analysis will be further trained in order to maintain new fiscal functions after the project ends. In the policy area, USAID-funded advisers will focus on the passage of national and local budget legislation and continue to support intergovernmental finance reform, thus promoting a more efficient and equitable allocation of expenditure and revenue-raising responsibilities across levels of government, as well as greater local autonomy in the budget-setting process.

3. Performance Data Tables

STRATEGIC OBJECTIVE 1.2: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES APPROVED: 12/07/96 COUNTRY/ORGANIZATION: KYRGYZSTAN/USAID/CAR			
RESULT NAME: SO 1.2. Increased soundness of fiscal policies and fiscal management practices			
INDICATOR: General government deficit as a percent of GDP			
UNIT OF MEASURE: Percent SOURCE: International Monetary Fund document, Kyrgyz Republic (KR) - Staff Report for the 1996 Article IV Consultation and Midterm Review of the Second Annual Arrangement under Enhanced Structural Adjustment Facility, June 28, 1996 and direct input from the Government of Kyrgyzstan. INDICATOR DESCRIPTION: Expenditures less revenues as a percent of GDP COMMENTS: Impressive results obtained here. While there is more to be done, Kyrgyzstan is clearly making excellent progress in reducing its fiscal deficit.	YEAR	PLANNED	ACTUAL
	1995(B)		12.5
	1996	7.0	6.1
	1997	5.0	
	1998	4.0	
	1999	3.0	
	2000	2.5	
	2001(T)	2.0	

STRATEGIC OBJECTIVE 1.2: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES

APPROVED: 12/07/96 **COUNTRY/ORGANIZATION:** KYRGYZSTAN/USAID/CAR

RESULT NAME: IR 1.2.1. Central government shifted roles and responsibilities as primary fiscal manager and regulator vis-a-vis local government, state owned enterprises and private sector.

INDICATOR: Decentralization Ratio

UNIT OF MEASURE: Percent

SOURCE: International Monetary Fund document, Kyrgyz Republic (KR) - Staff Report for the 1996 Article IV Consultation and Midterm Review of the Second Annual Arrangement under Enhanced Structural Adjustment Facility, June 28, 1996
Ministry of Finance of KR

INDICATOR DESCRIPTION: Local government revenues as a percent of total government revenues

COMMENTS:

YEAR	PLANNED	ACTUAL
1995(B)		40
1996	41	35
1997	41.5	
1998	42	
1999	43	
2000	44	
2001(T)	45	

STRATEGIC OBJECTIVE 1.2: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES APPROVED: 12/07/96 COUNTRY/ORGANIZATION: KYRGYZSTAN/USAID/CAR			
RESULT NAME: IR 1.2.2. Government of Kyrgyzstan complied with the International Financial Institution's conditions.			
INDICATOR: Compliance			
UNIT OF MEASURE: Yes/No/Partial SOURCE: International Monetary Fund document, Kyrgyz Republic (KR) - Staff Report for the 1996 Article IV Consultation and Midterm Review of the Second Annual Arrangement under Enhanced Structural Adjustment Facility, June 28, 1996 and direct input from the Government of Kyrgyzstan. INDICATOR DESCRIPTION: Government of Kyrgyzstan adheres to conditions set forth by the IFIs for additional assistance. COMMENTS:	YEAR	PLANNED	ACTUAL
	1995(B)		Y
	1996	Y	Y
	1997	Y	
	1998	Y	
	1999	Y	
	2000	Y	
	2001(T)	Y	

STRATEGIC OBJECTIVE 1.2: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES

APPROVED: 12/07/96 **COUNTRY/ORGANIZATION:** KYRGYZSTAN/USAID/CAR

RESULT NAME: IR 1.2.3. Taxes are more fairly and broadly applied and enforced

INDICATOR: Tax compliance rate

UNIT OF MEASURE: Percent

SOURCE: International Monetary Fund document, Kyrgyz Republic (KR) - Staff Report for the 1996 Article IV Consultation and Midterm Review of the Second Annual Arrangement under Enhanced Structural Adjustment Facility, June 28, 1996
Ministry of Finance of KR

INDICATOR DESCRIPTION: Tax revenues as a percent of GDP

COMMENTS: While the GOK clearly failed to meet revenue collection targets, the tax authorities are currently in the process of a major administrative reorganization that should allow much greater efficiency of tax collections in future years.

YEAR	PLANNED	ACTUAL
1995(B)		13.6
1996	15	14.5
1997	16	
1998	17	
1999	18	
2000	19	
2001(T)	20	

STRATEGIC OBJECTIVE 1.2: INCREASED SOUNDNESS OF FISCAL POLICIES AND FISCAL MANAGEMENT PRACTICES APPROVED: 12/07/96 COUNTRY/ORGANIZATION: KYRGYZSTAN/USAID/CAR			
RESULT NAME: IR 1.2.4. Improved budget management			
INDICATOR: Fiscal arrears as a percent of GDP			
UNIT OF MEASURE: Percent SOURCE: International Monetary Fund document, Kyrgyz Republic (KR) - Staff Report for the 1996 Article IV Consultation and Midterm Review of the Second Annual Arrangement under Enhanced Structural Adjustment Facility, June 28, 1996 Ministry of Finance KR INDICATOR DESCRIPTION: General fiscal deficit (accrued basis) less general fiscal deficit (cash basis) as a percent of GDP COMMENTS:.	YEAR	PLANNED	ACTUAL
	1995(B)		0.98
	1996	0.7	0.49
	1997	0.4	
	1998	0.3	
	1999	0.2	
	2000	0.1	
	2001(T)	0.09	

SO 1.3 ACCELERATED DEVELOPMENT AND GROWTH OF PRIVATE ENTERPRISE

A. OVERVIEW AND FACTORS AFFECTING STRATEGIC OBJECTIVE PERFORMANCE

No significant changes have taken place in the development context of strategic objective 1.3.

B. PROGRESS TOWARD OBJECTIVE

1. Performance Analysis

S.O. 1.3 Accelerated development and growth of private enterprises- In accordance with all the performance indicators provided, the overall achievement of strategic objective 1.3 is meeting or exceeding expectations. The specific objectives described below demonstrate significant progress in the areas of legal and regulatory reform, including in the crucial area of WTO accession, commercial law training of legal and administrative personnel, and promotion of human resources able to function in a market economy.

S.O. 1.3.1.1: Improved policies, laws and regulations in place to ensure competition and allow for easy market entry and exit- The Trade and Investment and Commercial Law Project all but met its target of assisting in the drafting and implementation of legislation and policies designed to improve the investment climate and open competition in the Kyrgyz Republic. The most significant among these included amendments to the Foreign Investment Law, significant changes to the Law on Bankruptcy (including the elevation of the status of secured creditors), development of the Civil Code, company and business partnership law, procurement legislation, amendments to customs legislation, and many other pieces of legislation. In addition, the Project has fostered a government policy of open competition and free trade as reflected in Kyrgyz Republic's effort to accede to the WTO.

Progress rating: Progress to date is as expected.

S.O. 1.3.1.2 Courts and administrative agencies strengthened to enforce policies, laws and regulations- One of USAID's more successful programs in the Kyrgyz Republic has been its legal and administrative training regime, focusing primarily on justices, attorneys, customs officials and other administrative personnel. The overall targets were exceeded; progress was significant in this area due to the heavy emphasis of the Project on the training of (a) judges and lawyers on a wide variety of commercial law issues, (b) officials from the state property committee on bankruptcy and liquidation procedures, and (c) customs officials regarding effective customs procedures and the latest customs legislation and regulations. The exceptional number of judicial and legal personnel trained by USAID was due in large part to the fact that the USAID Commercial Law Training Project was the only donor organization providing such training in Kyrgyz Republic. The training itself was also quite effective because of heavy participation from, and coordination with, other USAID contractors and experts.

Progress rating: Progress to date is as expected.

SO 1.3.2 Human resources improved to function in a market economy-The Commercial Law Training Project far exceeded its human resource targets by conducting training on a wide variety of individuals and entrepreneurs. Efforts ranged from training foreign and domestic business people regarding critical changes or developments in the law, monthly roundtables regarding industry specific topics, training Kyrgyz individuals on the practice of bankruptcy and liquidation of enterprises, training commercial bank managers on western commercial banking standards and operations, training numerous individuals regarding financial analysis, accounting and due diligence techniques, etc. The Project exceeded the target primarily because everyday activity required constant interaction with individuals, either in consultation, meetings or training sessions.

Progress rating: Progress to date is as expected.

2. Expected Progress Through FY1999 and Management Actions

We are generally on track to meet all of its objectives through FY1999. Within that time frame, the Project expects to complete essentially all tasks included in SO 1.3, including commercial law reform, trade and investment reform and accession of the Kyrgyz Republic to the WTO. In fact, public education services and the formal commercial law training component will be completed during calendar year 1997.

3. Performance Data Tables

STRATEGIC OBJECTIVE : 1.3.1.1 APPROVED: 7/12/1996 COUNTRY/ORGANIZATION: Kyrgyzstan/USAID			
RESULT NAME: Improved policies, laws and regulations in place to ensure competition and allow for easy market entry and exit			
INDICATOR: Critical policies, laws and regulations that are consistent with international standards are published			
UNIT OF MEASURE: 1) Number of policies, laws and regulations 2) Major legislative initiatives, treaty accessions and significant policy determinations <hr/> SOURCE: Contractor's reports Ministry of Justice <hr/> INDICATOR DESCRIPTION: Number of policies, laws, regulations published with drafting and implementation assistance provided by USAID <hr/> COMMENTS: The USAID Commercial law project easily exceeded its target of legislative acts on which USAID assisted. Primary among these include the Law On Bankruptcy, the Foreign Investment Law, the Civil Code and others.	YEAR	PLANNED	ACTUAL
	1995	0.00	1) 0 2) 0
	1996	1) 49 2) 6	1) 50 2) 9
	1997	1) 35 2) 4	
	1998	1) 25 2) 4	
	1999	1) 15 2) 3	
	2000	-	
	2001	-	

STRATEGIC OBJECTIVE: 1.3.1.2 APPROVED: 07/12/96 COUNTRY/ORGANIZATION: USAID/Kyrgyzstan			
RESULT NAME: Courts and administrative agencies strengthened to enforce policies, laws and regulations			
INDICATOR: Number of legal positions filled with personnel trained by USAID			
UNIT OF MEASURE: number <hr/> SOURCE: Contractors' reports <hr/> INDICATOR DESCRIPTION: Number of key legal and administrative positions filled USAID trained professionals <hr/> COMMENTS: Through the USAID Commercial law Training program and other training efforts from other USAID contractors, USAID was able to exceed the number of administrative and legal personnel trained in commercial law reform topics.	YEAR	PLANNED	ACTUAL
	1995	-	-
	1996	270	355
	1997	400	
	1998	400	
	1999	200	
	2000	-	
	2001	-	

STRATEGIC OBJECTIVE: 1.3.2 APPROVED: 07/12/96 COUNTRY/ORGANIZATION: USAID/Kyrgyzstan			
RESULT NAME: Human resources improved to function in a market economy			
INDICATOR: Number of people trained (excluding 1.3.1.2)			
UNIT OF MEASURE: number <hr/> SOURCE: Contractors' reports <hr/> INDICATOR DESCRIPTION: Number of people trained through seminars, round tables or one-on-one encounters <hr/> COMMENTS: USAID far exceeded its target of people trained in the above manner in order to function properly in a market economy. The number far exceeds the target because it includes human resources trained on the privatization process.	YEAR	PLANNED	ACTUAL
	1995	-	171
	1996	250	780
	1997	500	
	1998	500	
	1999	300	
	2000	-	
	2001	-	

S.O. 1.4 A MORE COMPETITIVE AND MARKET-RESPONSIVE PRIVATE FINANCIAL SECTOR

A. OVERVIEW AND FACTORS AFFECTING STRATEGIC OBJECTIVE PERFORMANCE

The R4 tree and Performance Data Table along with the Narrative part for the Kyrgyzstan strategic objective 1.4 was submitted in draft for review in May 1996. They were subsequently modified per feedback received in AID/W in May 1996 and as a result of other ad hoc recommendations.

B. PROGRESS TOWARDS OBJECTIVE

1. Performance Analysis

Performance of this strategic objective is discussed in terms of certain performance indicators, and later on, in terms of selected IRs.

Strategic objective performance indicator 1: Bank deposits as percentage of GDP (indicator definition: private sector deposits in Kazakhstan's banking system as percent of GDP). A competitive, private financial sector is vital to the growth of a market-oriented economy. Hence, new market-based financial institutions are urgently needed to serve a modern economy in Kyrgyzstan. By the end of 1997, the financial sector needs to provide fundamental services that will attract more private sector deposits in Kyrgyzstan's banking system. While some improvement was made in 1996, it fell below the planned level.

In order to attract private depositors, the banking system must be perceived as financially sound. Part of this process requires closing down insolvent banks and forcing the better banks to satisfy international prudential norms (see below). In 1996, progress was made on both counts. Greater progress should be possible in 1997.

Progress rating: Overall progress to date is on track.

Strategic objective performance indicator 2: Funds invested by institutional investors as percent of GDP (e.g. investment funds, pension funds). Most Kyrgyz are highly skeptical about brokers and financial markets in general, having had their life savings ravaged during the breakup of the Soviet Union and the economic restructuring process which followed. Thus, we assume that most people will cash in their privatization investment fund shares as soon as they have the opportunity, and that they will avoid bonds or other formal financial structures until new financial systems have demonstrated their soundness. The USAID strategy, therefore, concentrates on key government agencies, the leading financial institutions, larger private companies, and a select group of entrepreneurs and academics, teaching them to be the creators

and then the first successful users of the new systems. Special attention will be paid to building associations such as the investment funds, broker-dealer and bankers associations.

The funds invested in Kyrgyzstan by institutional investors in 1996 was 0.67 percent instead of the target of 0.5 percent. The higher figure of 0.67 percent was attained because a certain number of companies were made public in 1996. The stock from these newly privatized companies attracted institutional capital, which combined with the capital drawn in by the local government securities market, resulted in 0.67 percent of GDP invested with institutional investors.

Progress rating: Overall progress to date is better than expected.

IR 1.4.1. Governmental regulatory agencies supervise, administer and enforce legislation.

In the Kyrgyz Republic the regulatory readiness of the National Bank is exemplary. The chairman of the National Bank is a progressive reformer who has brought to action much of the bank regulatory advice USAID has provided him. Not only have the reforms been agreed upon, but tremendous operational effort has been expended by the National Bank to adopt and implement these broad sweeping banking reforms.

The National Security Commission (NSC) has adopted many of the reforms USAID has advised. Until recently, though, turmoil in the NSC has limited their full implementation. However, the recent Government signing of a Memorandum of Understanding with USAID on securities market development should presage fuller implementation of securities market regulatory reform in 1997.

Progress rating: Overall progress to date is better than expected.

IR 1.4.1.2. Regulatory framework and reporting systems are broadly applied to effectively screen out deficient institutions (Performance indicator: Increasing percentage of banks meeting capital adequacy requirement). Targets in increasing percent of banks meeting capital adequacy requirements were exceeded in 1996 following aggressive program by the Central Bank to close insolvent banks.

Progress rating: Overall progress to date is better than expected.

IR 1.4.2.1.1. Securities markets institutions effectively serve financial industry. (Indicator description: types of firms operating in the securities market, e.g. registrars, settlement and clearing systems, custodians, depositories, trading systems). Four firms were in operation in securities at the end of 1996 instead of the target of five. The reason for the shortfall is that in Kyrgyzstan the settlement and clearing system is integrated with the trading systems.

Progress rating: Overall progress to date is lower than expected.

1.4.2.1.2. Stock market effectively serves securities market (Indicator definition: number of companies listed on the first and second boards of stock exchanges and in a transparent over-the-counter market [OTC]). The goal of thirty companies listed on the first and second boards of the stock exchange was narrowly missed; 26 companies were actually listed. In a small nation with a newly privatized economy, this was a significant accomplishment and shows that the stock market is beginning to serve the securities market effectively.

Progress rating: The overall progress to date is on track.

2. Expected Progress through 1999 and Management Actions

USAID plans to continue its assistance to achieve results in its strategic objectives in Kyrgyzstan, as detailed below.

1. Laws, regulations, and policies authorize essential financial market regulatory and private-sector institutions and systems. To achieve this result, many changes must occur. Specifically, the legal framework must define the parameters of operation for each sector participant, the reporting relationships between private firms and their regulatory agencies, and the working structure of inter-related service providers, e.g., clearing mechanisms, shareholder registrars, broker-dealer associations, etc. In short, the legal basis for the following will need to be established:
 - C Investment funds.
 - C Private sector accounting standards board, particularly with regard to the issue of self-regulation.
 - C Private-sector, central depository, clearance and settlement system.
2. **IR 1.4.1 Regulatory agencies supervise, create regulations, and policies, and enforce legislation.** These agencies will be trained to govern on the basis of principle and to encourage private-sector development. Specifically, policy advice and training will be furnished to the National Bank, the Ministry of Finance and the National Securities Commission. Training will focus on financial regulatory skills and background on the activities to be regulated. This is being done through long term technical assistance to the regulatory agencies, short courses open to all market participants and through work with some firms on a pilot basis
3. Sets of institutions, services, and financial instruments are created and properly protect "customers" rights. In other words, private-sector banks and capital market intermediaries are established and provide essential financial services to business and population, namely:
 - C Payment system for fund transfers among banks and for the business community.
 - C Market-based bank and securities credit.
 - C Deposit and checking accounts, primarily for business.

- Ⓒ Accounting and auditing services offered by firms on the basis of international standards.
- Ⓒ Corporate finance services generated by broker-dealers and investment funds.

The above services can be effectively provided by the private financial sector only if the sector is integrated through informational and institutional infrastructure, which is privately managed and consists of the following principal components:

- Ⓒ Securities market infrastructure services including registrars, custodians.
- Ⓒ A central clearing/settlement/depository organization established first for an institutional market.
- Ⓒ Trading systems for both stock exchange and screen-based OTC markets.

With limited resources, this effort will be focused on a limited number of banks, private firms and pension and investment funds, etc., on a pilot basis. USAID will ensure that these pilot institutions understand the new systems and their new roles, successfully convert from old to new operations, and demonstrate their ability to build public confidence in the new financial sector.

Essential for this process is public education, concerning the privatization program (especially for privatization and investment funds), and the general role of a financial sector. In particular, the methods by which bank customers and shareholders are protected must be emphasized. Also of importance is the relationship of these people to the companies in which their funds/pension benefits are invested.

3. Performance Data Tables

Strategic Objective 1.4: A More Competitive and Market Responsive Private Financial Sector APPROVED: 07/12/1996 COUNTRY/ORGANIZATION: USAID/Kyrgyzstan			
RESULT NAME: A more competitive and market responsive private financial sector			
INDICATOR: Bank deposits as % of GDP			
UNIT OF MEASURE: percent SOURCE: National Bank of Kyrgyzstan INDICATOR DESCRIPTION: Private sector deposits in Kyrgyzstan's banking system as % of GDP COMMENTS: While improvement was made in 1996, it fell below the planned level. Greater progress should be possible in 1997.	YEAR	PLANNED	ACTUAL
	1995		4.0
	1996	5.0	4.2
	1997	6.0	
	1998	7.0	
	1999	9.0	
	2000	15.0	
	2001	20.0	

Strategic Objective 1.4: A More Competitive and Market Responsive Private Financial Sector APPROVED: 07/12/1996 COUNTRY/ORGANIZATION: USAID/Kyrgyzstan			
RESULT NAME: Regulatory framework and reporting systems are broadly applied effectively screen out deficient institutions			
INDICATOR: increasing % of banks meeting capital adequacy requirements			
UNIT OF MEASURE: percent SOURCE: NATIONAL BANK OF KYRGYZSTAN INDICATOR DESCRIPTION: Percentage of all banks that meet capital adequacy requirements COMMENTS: Targets exceeded in 1996 following aggressive program by the central bank to close insolvent banks.	YEAR	PLANNED	ACTUAL
	1995		42
	1996	55	60
	1997	65	
	1998	70	
	1999	80	
	2000	85	
	2001	90	

Strategic Objective 1.4: A More Competitive and Market-Responsive Private Financial Sector APPROVED: 07/12/1996 COUNTRY/ORGANIZATION: USAID/Kyrgyzstan			
RESULT NAME: Securities market institutions effectively serves financial industry			
INDICATOR: Increasing # of types securities market institutions operating			
UNIT OF MEASURE: number <hr/> SOURCE: National Security Commission <hr/> INDICATOR DESCRIPTION: Types of firms operating in securities market (e.g. registrars, settlement and clearing systems, custodians, depositories, etc.) <hr/> COMMENTS: The number of firms operating in securities at the end of 1996 was 4 instead of the target of 5 firms. The reason for the shortfall is that in Kyrgyzstan the settlement and clearing system is integrated with the trading systems.	YEAR	PLANNED	ACTUAL
	1995		4
	1996	5	4
	1997	6	
	1998	8	
	1999	9	
	2000	10	
	2001	13	

Strategic Objective 1.4: A More Competitive and Market- Responsive Private Financial Sector
APPROVED: 07/12/1996 **COUNTRY/ORGANIZATION:** USAID/Kyrgyzstan

RESULT NAME: Stock market effectively serves securities market

INDICATOR: # of stock exchange and OTC listing on the first and second board listings

UNIT OF MEASURE:

number

SOURCE:

Stock Exchange Bulletin

INDICATOR DESCRIPTION: # of companies listed on the first and second boards of stock exchanges and in a transparent over-the-counter market (OTC)

COMMENTS: The goal of 30 companies listed on the first and second boards of the stock exchange was narrowly missed; 26 companies were actually listed. In a small nation with a newly privatized economy, this was a significant accomplishment and shows that the stock market is beginning to serve the securities market effectively.

YEAR	PLANNED	ACTUAL
1995		10
1996	30	26
1997	40	
1998	50	
1999	60	
2000	100	
2001	150	

Strategic Objective 1.4: A More Competitive and Market Responsive Private Financial Sector APPROVED: 07/12/1996 COUNTRY/ORGANIZATION: USAID/Kyrgyzstan			
RESULT NAME: Governmental regulatory agencies supervise, administer and enforce legislation			
INDICATOR: Assessed regulatory capacity in place and functioning			
UNIT OF MEASURE: Y/N SOURCE: NATIONAL BANK OF KYRGYZSTAN, NSC INDICATOR DESCRIPTION: USAID assessment of regulatory readiness of National Bank and National Security Commission COMMENTS: In the Republic of Kyrgyzstan the regulatory readiness of the National Bank is exemplary. The Chairman of the National Bank is progressive reformer who has brought to action much of the bank regulatory advice USAID has provided him. Not only have the reforms been agreed upon, but tremendous operational effort has been expended by the National Bank to adopt and implement these broad sweeping banking reforms. The NSC has adopted many of the reforms USAID has advised, however political turmoil in the department has prevented their full implementation.	YEAR	PLANNED	ACTUAL
	1995		Y
	1996	Y	Y
	1997	Y	
	1998	Y	
	1999	Y	
	2000	Y	
	2001	Y	

Strategic Objective 1.4: A More Competitive and Market Responsive Private Financial Sector
APPROVED: 07/12/1996 **COUNTRY/ORGANIZATION:** USAID/Kyrgyzstan

RESULT NAME: A More Competitive and Market Responsive Private Financial Sector.

INDICATOR: Funds invested by institutional investors as percent of GDP

UNIT OF MEASURE: percent

SOURCE: National Securities Commission, Ministry of Social Protection.

INDICATOR DESCRIPTION:

Funds invested by institutional investors (Pension Funds, Investment Funds) as percent of GDP.

COMMENTS: The funds invested in the Kyrgyzstan by institutional investors in 1996 was 0.67% instead of target of 0.5%. The percent of 0.67 was attained because a certain number of companies were brought public in 1996. The stock from these newly privatized companies attracted institutional capital, which combined with the capital drawn in by the local government securities market, resulted in 0.67% of GDP invested with institutional investors.

YEAR	PLANNED	ACTUAL
1995		N/A
1996	0.5	0.67
1997	1.2	
1998	2.0	
1999	2.5	
2000	7.0	
2001	12.0	

SO 2.1 INCREASED, BETTER INFORMED CITIZENS' PARTICIPATION IN ECONOMIC AND POLITICAL DECISION MAKING

A. OVERVIEW AND FACTORS AFFECTING STRATEGIC OBJECTIVE PERFORMANCE

The strategy for increased, better-informed citizens' participation in economic and political decision making in the Kyrgyz Republic combines three areas of simultaneous development: strengthening citizen participation through NGOs, increasing the availability of information, and increasing accountability and responsiveness in the government by developing and working with a core group of government officials interested in working with citizens.

The underlying rationale for this approach in the Kyrgyz Republic is that the government will give NGOs the opportunity for development, but that these organizations lack the skills to develop sustainable organizations. Development of independent media has been slow in the Kyrgyz Republic. Internews will change its assistance from short-term seminars to long-term residences by Internews-trained Russian experts. Assistance will focus on specific problems of each station. Further, as government officials outside of the executive branch see patterns of power stabilizing in the Kyrgyz Republic, USAID expects that the only route open to them to achieve legitimacy will be through increasing their power base among the citizens. USAID plans to develop its programming to meet these openings.

There are two changes in the Kyrgyz strategy. The first change is focusing on the availability of information, rather than solely on independent electronic media. The second is a shift toward citizen interaction with various levels of government, rather than focusing only on the Parliament as a venue for citizen interaction with the government.

B. PROGRESS TOWARD OBJECTIVE

1. Performance Analysis

IR 2.1.1 Citizen participation in NGOs. More than 900 members of Kyrgyzstan's 419 NGOs received training in the course of the past year, and 80 NGOs developed projects using USAID's funds since the beginning of the program. These groups have engaged the Parliament and the President in discussions of the needs of the agricultural sector, women, criminal law and NGO law, to name just a few. NGOs have used USAID training on media relations to engage the population in understanding the critical issues facing them, and their possible solutions. The Private Farmers Associations have developed democratic governing principles and begun to network among themselves.

Progress rating: Progress to date is above expectations.

IR 2.1.2 Information on domestic economic policies and politics available. The major problem area with implementation this year is the continued lack of viable independent electronic media outlets. There are twelve independent stations in the country, but they broadcast only a few hours a week and only two stations are judged by Embassy Bishkek and USAID/Bishkek to be viable. Because of this lack of progress in independent electronic media, USAID is altering its course of action. Instead of the current format of holding seminars and inviting Kyrgyz stations to seminars in Almaty, Internews will send Russian trainers, graduates of Internews training in Russia, for one- to two-month terms to do in-depth training which will address the specific problems of each station. USAID/CAR looks forward to improved results from this change in the training structure. The print media has little feeling of journalistic responsibility and seems to print articles based on mere rumor. It also frequently runs into trouble with laws prohibiting criticism of the President.

Progress rating: Progress to date is below expectations.

IR 2.1.3 Increased responsiveness and accountability of Government to citizens/citizen organizations. USAID's work with the Parliament is the most successful in the region. The Parliament is actively engaged with both National Democratic Initiatives (NDI) and the American Bar Association, working on constituent relations, committee structures, improvement of draft legislation, creation of its own drafting service, and debating how and whether to change the structure of the Parliament. There are lively floor debates and an ever-increasing number of requests for assistance in organizing open hearings. The Parliament even vetoed a bill submitted by the President.

Progress rating: Progress to date is above expectations.

The Kyrgyz Republic is the most progressive country of Central Asia. USAID expects continued progress toward our citizen participation goals and increasing openness in the Government. Independent media is a challenging situation and will require much of our attention.

2. Expected Progress Through FY1999 and Management Actions

USAID's strategy for SO 2.1 in Kyrgyzstan is to continue its successful work with the NGO sector and the Parliament, and to change the structure of its electronic media assistance. Development of civil society in Kyrgyzstan has developed at an acceptable rate this year, and over the long term, achievement of this objective seems likely. Based on the IFES survey, the citizens are more informed on NGOs than they were in the last survey, and more likely to feel inclined to work with NGOs.

While the majority of the accomplishments are demonstrated in the number of advocacy NGOs, assistance to the parliament has also shown steps towards a more responsive government. The Parliament is making impressive strides in inviting citizen participation by opening draft laws for discussion and soliciting advice, through ABA and NDI. The legislative assembly is working

with NDI to streamline its committee structures. Members are also discussing a reorganization of the parliament into a unicameral body.

The original project grants and cooperative agreements are ending in Kyrgyzstan, after producing more NGOs and open hearings than in any other Central Asian Republic. Now the challenge is to focus the new programs to produce sustainable results and focus on additional programs needed to accomplish the strategic objective. NGOs which complete ongoing training for new NGOs can move to a pilot second stage of development training, where they will acquire sustainability skills such as: fund-raising, constituency building, media relations, and government advocacy. In outlying years it is anticipated that some of the NGOs will graduate to Board of Directors training, and begin reflecting democratic values in their own organizations. USAID will also focus on NGOs working to affect change in their own communities. A goal of the NGO work is increased attention to the legal and regulatory changes necessary to promote a philanthropic attitude in Kyrgyzstan.

In the area of availability of information, there are critical issues. Despite two years of technical assistance to independent stations, there are still unacceptably low levels of independent electronic news available in Kyrgyzstan. USAID is therefore changing the structure of its independent media training, and will encourage NGOs to publish more newsletters. As a longer term goal, USAID will work with the government of the Kyrgyz Republic to develop the requirement or the practice of timely publication of draft laws. (This goes hand-in-hand with the need for transparency in the government, IR 2.3.3.1). Implementation activities will include support for public law libraries, which will act as repositories for draft laws and maintain databases of legislation from other NIS countries and abroad.

Activities to promote government responsiveness to its citizens require a range of programming. While the executive branch holds the most extensive powers under the Constitution, it has not prevented the development of other sources of power. USAID will seek opportunities to strengthen the effectiveness and openness of the Parliament, through encouragement of public hearings on draft legislation, as well as constituent relations. In addition, in a major new initiative, USAID will be creating a program in 1998 to encourage increased government responsiveness and accountability in areas other than the Parliament. USAID will sponsor in-depth election assistance improving the election process, through law development, election official and election monitor training and public education, in advance of the Parliamentary elections in 1999 and Presidential elections in 2000. With three years remaining before the election, the Central Election Commission is not under pressure and is more receptive to assistance and suggestions to reform their electoral laws. USAID will seek to strengthen the relationships between local government officials and their constituents by strengthening programs outside of the capital city.

In conclusion, democracy work in the Kyrgyz Republic needs to maintain its emphasis on the foundation of civil society -- NGOS and the media. The program will begin transition work in the government sector, provided that branches outside of the executive branch continue to

maintain a stable existence and develop their effectiveness. USAID will encourage the development of these branches to include citizen participation as part of their daily business.

3. Performance Data Tables

OBJECTIVE: 2.1 Increased, better-informed citizens' participation in political and economic decision-making APPROVED: May 1996 COUNTRY/ORGANIZATION: Kyrgyz Republic; USAID/CAR			
RESULT NAME: IR 2.1.1.2 Improved Laws and Policies enabling Right of Assembly and Association			
INDICATOR: Improved Laws and/or policies enabling the Right of Assembly and Association			
UNIT OF MEASURE: Total Actual registration simplicity points/total possible indicators of registration simplicity out of 11 possible points 1 point = Constitution allows citizen group formation 1 point = NGOs of non-political nature, who are very persistent can be registered 1 point = Groups with board of directors/memberships from all states necessary for national group - provision eliminated 1 point = Groups can be registered with as few as five members 1 point = NGOs with a political agenda can register to operate 1 point = NGOs need only register for tax purposes, and registration is not a barrier to operations 1 point = Law differentiates between businesses and public associations 1 point = Law allows public service groups to be exempted from income tax on contributions and dues 1 point = Law allows donations by individuals to be deducted against personal income tax liability 1 point = Law allows for donations by corporations to be deducted against corporate income tax liability 1 point = Law allows for preferential treatment by tax authorities on revenue generation through micro/business operations for organizations solely to support the charitable activities of the NGO	YEAR	PLANNED	ACTUAL
	1995	-	1 of 11
	1996	3 of 11	3 of 11
	1997	3 of 11	
	1998	6 of 11	
	1999	6 of 11	
	2000	6 of 11	
	2001	8 of 11	
SOURCE: American Bar Association review of the existing laws and policy implementation; Counterpart Foundation			
INDICATOR DESCRIPTION: The quality of the law shall be determined by how many points out of a possible 11 the law contains.			
COMMENTS: While there has been a great deal of discussion of NGO laws in Kg, there is not a general understanding of NGOs, nor of the legal elements that should be in place to protect them.			

OBJECTIVE: 2.1 Increased, better-informed citizens' participation in political and economic decision-making
APPROVED: May 1996 **COUNTRY/ORGANIZATION:** Kyrgyz Republic ; USAID/CAR

RESULT NAME: IR 2.1.2.2 Domestic news widely available via electronic media

INDICATOR: Number of independent TV and radio stations

UNIT OF MEASURE: Number of independent TV and radio stations, each station counting as one.

SOURCE: Internews survey

INDICATOR DESCRIPTION: An independent station is one which operates without government subsidy.

COMMENTS:

In the Kyrgyz Republic there has been very little success in achieving nationwide coverage by TV stations, and USAID is changing its work plans to try new approaches.

YEAR	PLANNED	ACTUAL
1995	-	10
1996	-	12
1997	12	
1998	12	
1999	13	
2000	15	
2001	15	

OBJECTIVE: 2.1 Increased, better-informed citizens' participation in political and economic decision-making APPROVED: NA COUNTRY/ORGANIZATION: Kyrgyz Republic; USAID/CAR			
RESULT NAME: IR 2.1.3.1 Increased Government Transparency			
INDICATOR: Number of consultative processes addressing legislative or policy issues			
UNIT OF MEASURE: Number for which USAID has a record of time, place and issue under discussion SOURCE: American Bar Association; National Democratic Institute INDICATOR DESCRIPTION: A consultative process shall be considered to be a meeting between a member of government and the public, as recorded (date and topic) by a USAID implementing partner for the purpose of providing citizen input into developing policy. COMMENTS: 1997 figure is YTD, and we expect to reach the target by the end of the fiscal year.	YEAR	PLANNED	ACTUAL
	1995	-	3
	1996	6	11
	1997	10	
	1998	15	
	1999	20	
	2000	25	
	2001	25	

OBJECTIVE: 2.1 Increased, better-informed citizens' participation in political and economic decision-making APPROVED: NA COUNTRY/ORGANIZATION: Kyrgyz Republic; USAID/CAR			
RESULT NAME: IR 2.1.3.2 Increased Government Accountability			
INDICATOR: Degree of fairness of elections per annual US embassy human rights reports			
UNIT OF MEASURE: Narrative SOURCE: US Embassy INDICATOR DESCRIPTION: Narrative Description of elections from Human Rights Reports COMMENTS: After the first Presidential election being described as "open", the national referendum held the following year was termed "marred". USAID will focus its efforts on improved training and legal basis for elections between now and the next Presidential election. Our aim is to have the words "free and fair" election describing the next Presidential election.	YEAR	PLANNED	ACTUAL
	1995	-	"Presidential election ...open, multi candidate election" "restrictions on the rights of people to freely change their government"
	1996	-	"Citizens have a constitutional right to change their government peacefully, but have a limited ability to do so in practice"
	1997		
	1998		
	1999		
	2000		
	2001	"Mostly Free and Fair"	

SO 2.3 MORE EFFECTIVE, RESPONSIBLE, AND ACCOUNTABLE LOCAL GOVERNMENT

A. OVERVIEW AND FACTORS AFFECTING STRATEGIC OBJECTIVE PERFORMANCE

This year's Strategic Plan calls for a significant change in the Strategic Framework for this strategic objective. We will move in FY 1998 from collecting and encouraging results in other strategic objectives to supporting specific results oriented activities in this strategic objective.

The Government of Kyrgyzstan has increasingly moved responsibility for social programs (housing, health, and education) to local levels. However, the authority over resources as well as development of a professional civil service to administer these social programs has not necessarily followed. USAID has demonstrated by its sector specific work in the areas of health and housing the need to work at the local level for maximum effectiveness. A new tax code was passed in 1996 to clarify the taxes which are to be collected and the level of government to which they will be allocated.

B. PROGRESS TOWARDS OBJECTIVE

The limited activities related to this strategic objective have met their targets. However, these targets were not necessary and sufficient to achieve this strategic objective. The Mission viewed FY 1997 and prior years as laying the groundwork for this strategic objective through the achievement or by approaching achievement in other strategic objectives.

1. Performance analysis

IR 2.3.1 Legal and political foundation for municipal operations established. While the President of Kyrgyzstan made several local government decrees in 1996, none were developed with the input of local organizations. A March 1996 law legitimizes administrative powers below that of the Central Government, but these governments are still subservient to the national government. An October 1996 resolution legitimizes City Charters and encourages the development of a municipal association. The USAID efforts in 1996 did not have input into the formation and implementation of these flawed decrees. No FY1997 funds were involved in this effort.

Progress rating: Below expectations, but there was no programming.

IR 2.3.2 Strengthened financial basis of local government. USAID training and technical assistance have helped to demonstrate the benefits associated with effective, responsible, and accountable local government in one pilot site. The Municipal Finance and Management project had several successes, and embarked on several directions that did not lead to results in the one pilot site of Karakol. This program led to the implementation of an annual, transparent budgeting process, creation of a city treasury, significant increase in the fiscal management capabilities of

the city, and introduction of computer hardware and software for budgeting and tax compliance monitoring.

A new tax law was passed in 1996, and the local government of Karakol continued to have a more transparent budgeting process. No FY1997 funds were involved in this effort.

USAID is now implementing a pilot real property registration project for use by regional governments. This project, which will be expanded by World Bank resources, is one step in a long-term project for ensuring that local governments have the revenue base needed to carry out effectively their responsibilities. The USAID project to resolve the disputes in the Kyrgyz Parliament had not yet resulted in the passage of a Unified Property Registration law at the time of the R4 submission, but it is still expected in FY 1997.

Progress rating: Consistent with expectations for FY 1997.

IR 2.3.3-Administrative capacity of regional governments increased to function more democratically. USAID is monitoring other donor efforts in this area. The United Nations Development Project and the Government of the Netherlands are supporting the development of a Public Administration project in Bishkek. The Government of the Netherlands will renew its support, but change the implementation method.

Progress rating: Below expectations, but the Netherlands is taking programming actions.

2. Expected Progress Through 1999 and Management Actions

Given the Government's lack of commitment to sharing authority with lower levels of government, this particular strategic objective could take up to 15 years to achieve. The USAID/CAR regional mission envisions limited assistance in FY1998 for this objective in the areas of NGO development outside of capital cities, continued donor coordination, and continued work on improved administrative functioning of cities. The areas to be worked on include housing allowance programs, full cost utility pricing, and perhaps budgeting and competitive contracting at the municipal level. Work will be coordinated with other donors on the development of a municipal association, and the provision of small grants for innovative practices and information sharing through this association.

For FY1998 the program has several ambitious initial steps. First, to establish an expatriate advisor in Kyrgyzstan in order to advise local governments who are working on the development of charters and budgets. This technical assistance will be augmented by limited commodities and more extensive in-country training in such areas as transparent competitive bidding and rationalization of social service delivery. Learning from the Municipal Finance and Management pilot intervention, the USAID/CAR program for this strategic objective also needs to develop the policy base for improved local government operations. The program also requires the further development of nongovernmental organizations at the local level. In FY1999 the direct intermittent technical assistance at the local level will be continued. Emphasis will be placed on

the development of municipal associations for long term sustainability of technical exchanges and for advocacy work on the development of the legal basis. Small grants will be used to support the introduction of innovative practices and for information sharing through municipal associations.

3. Performance Data Tables

OBJECTIVE: 2.3 More effective, responsible, and accountable local government APPROVED: COUNTRY/ORGANIZATION: Kyrgyz Republic, USAID/CAR			
RESULT NAME: SO 2.3 - Demonstrate more effective, responsible, and accountable local government			
INDICATOR: Number of public budget hearings			
UNIT OF MEASURE: Number of municipalities having open budget hearings SOURCE: 1996 Research Triangle Institute; 1998 TBD INDICATOR DESCRIPTION: Budget hearing in target regional government in which budget priorities are transparently discussed and developed. COMMENTS: . The FY 1997 work in this area is being undertaken under fiscal decentralization.	YEAR	PLANNED	ACTUAL
	1994	NA	NA
	1995	0	0
	1996	1	1
	1997	no program	
	1998	1	
	1999	3	
	2000	5	
	2001	6	

OBJECTIVE: 2.3 More effective, responsible, and accountable local government APPROVED: COUNTRY/ORGANIZATION: Kyrgyz Republic, USAID/CAR			
RESULT NAME: IR 2.3.1 Legal and political foundation for municipal operations established			
INDICATOR: National legal and/or policy changes that promote decentralized government			
UNIT OF MEASURE: Central Government progress toward local self government based on the following seven indicators. Scale of 1 to 7 Total number of points of the following points being sought in a local government law and policy. 1 point = Law allows for the binding local budget. 1 point = Law allows for binding local elections 1 point = Budget law allows localities to keep "excess revenue" 1 point = Local government law shifts control over local property to local government. 1 point = Local government law allows localities to write their own charters 1 point = Local government law mandates public access to budget 1 point = Local government law has provision for recalling government. SOURCE: Implementing partners; 1997 KPMG INDICATOR DESCRIPTION: It is critical to establish a legal basis for local government, this measures progress towards establishing the rights of municipalities to run their operations COMMENTS:	YEAR	PLANNED	ACTUAL
	1994	NA	NA
	1995	0	0
	1996	1 of 7	1 of 7
	1997	1 of 7	no program
	1998	1 of 7	
	1999	3 of 7	
	2000		
	2001		

OBJECTIVE: 2.3 More effective, responsible, and accountable local government APPROVED: COUNTRY/ORGANIZATION: Kyrgyz Republic, USAID/CAR			
RESULT NAME: IR 2.3.2 Strengthened financial basis of local government			
INDICATOR: Land Registration Laws and Taxes in Place			
UNIT OF MEASURE: Is the law in place: yes /no <hr/> SOURCE: International City County Managers Association (ICMA) <hr/> INDICATOR DESCRIPTION: A law providing for the legal registration of all immovable property is in place. <hr/> COMMENTS: It is anticipated that this will be complete by the end of FY 1997	YEAR	PLANNED	ACTUAL
	1994	NA	NA
	1995	NA	NA
	1996	no	no
	1997	1	in progress
	1998	complete	

SO 3.2 IMPROVED SUSTAINABILITY OF SOCIAL BENEFITS AND SERVICES

A. OVERVIEW AND FACTORS AFFECTING STRATEGIC OBJECTIVE PERFORMANCE

Substantial public support is essential for successful transition to free markets and democratic governance. This requires that people believe that reform will produce improvements in their own lives; social and economic. Over the past three years, assistance toward this goal has focused principally on developing private sector capacity (outside the government) in the housing and health areas by having those sectors take on what the government can no longer finance.

The activities under this SO are designed not only to introduce the ideas for needed changes, but to build a policy consensus around the issues, and to provide training in selected areas to make change a reality. There are changes that can be made to maintain the social system: developing a means-tested benefits package, using world experience to determine which minimum benefits are essential and affordable. Technical assistance is then provided to introduce modern, cost effective management techniques. Assistance is required to develop sustainable financing schemes and to rationalize the number of government workers providing various public services.

Three intermediate results are considered to be most significant in accomplishing SO 3.2. They are: 3.2.1, Critical social benefits and services needs identified for vulnerable populations; 3.2.2, Demonstrate that quality health care and municipal services (housing) can be made available on a cost effective basis; and 3.2.3, Broad dissemination of successful interventions. The performance of each of these areas is described below. The focus in Kyrgyzstan, as in Kazakhstan, is on developing private sector capacity to encourage a greater role of the private sector in sustaining the health and the housing sectors.

B. PROGRESS TOWARD OBJECTIVE

1. Performance Analysis

SO 3.2 Improved sustainability of social benefits and services- The time frame for achieving the above strategic objective was established at two to five years. Progress in many of the stated intermediate results and indicators demonstrates that some aspects of reform, as noted below, are moving more rapidly than others towards the achievement of the mission strategic objective.

Progress rating: Progress to date is better than projected.

IR 3.2.1. Critical social benefits and services. Two performance indicators are established one which demonstrates the successful assessment of the vulnerable population for targeting and the other which deals with strengthening local capacity to meet the needs of the people. Concerning the needs of the vulnerable population, the nongovernment organization (NGO) support project has been successful in providing innovative approaches and consumer advocacy social sector

services. A total of 25 grants have been awarded to strengthen local NGO capacity to respond effectively to meet the needs of the people.

In 1998/99, there will be an increasing focus on identifying the needs of vulnerable population groups and on developing pilot projects for targeting social services, especially health, to those in need more effectively.

Progress rating: The overall progress is satisfactory.

IR3.2.2 Demonstrate that quality health care and municipal (housing) services can be made available on a cost effective basis. The indicator monitoring the increase in the number of independent primary care practices demonstrates tremendous progress toward achieving this objective. For example, 40 family group practices (FGPs) are now fully operational. Approximately 85 percent of the population in the pilot sites have now enrolled in a FGP of their choice - the first time ever that such choice was made available to people in Kyrgyzstan. Forming the FGPs is one of the most fundamental reforms in restructuring the health care system. It demonstrates improved access to health care as well as a better targeting of government health budget towards primary health care. By establishing ambulatory care family group practices, an economic incentive, critical to reducing medically unjustifiable referrals to polyclinics and specialty hospitals is created.

After only two years of programming the housing program was moved through the initial phase of transition programming: training key leaders and building a policy consensus. The program now needs to focus on implementing the policy at the local level.

Progress rating: Overall progress is better than expected.

IR 3.2.3 Broad dissemination of successful interventions implemented-The mission considers this IR key to influencing directly policy directives at the national level and to leveraging donor resources. Major success has been achieved in the case of leveraging donor assistance. The World Bank is now investing over \$20 million in a health reform program based on the USAID Issyk-kul model. However, a lesson learned in Kyrgyzstan has been that along with having a pilot program, it is critical to conduct policy dialogue at the national level and to expose the policy makers extensively to the successful interventions adopted at the pilot sites. In the coming year, this will be done through technical assistance and through media development and dissemination.

Progress rating: Progress is satisfactory.

3. Performance Data Tables

OBJECTIVE: 3.2 Improved sustainability of social benefits and services APPROVED: 7/26/96 COUNTRY/ORGANIZATION: Kyrgyzstan, USAID/CAR			
RESULT NAME: IR 3.2.2: Demonstrate that quality health care and municipal services can be made available on cost effective basis			
INDICATOR: number of independent primary care practices increased			
UNIT OF MEASURE: number of primary care practices SOURCE: data base: Health Reform project INDICATOR DESCRIPTION: Increase in # of primary care practices actually staffed and providing services in demonstration oblasts COMMENTS:	YEAR	PLANNED	ACTUAL
	1996	32	40
	1997	60	
	1998	80	
	1999		

OBJECTIVE: 3.2 Improved sustainability of social benefits and services APPROVED: 7/26/96 COUNTRY/ORGANIZATION: Kyrgyzstan, USAID/CAR			
RESULT NAME: IR 3.2.1.1.1 NGO's providing sustainable social services established.			
INDICATOR: Number of social service NGO's			
UNIT OF MEASURE: Number of NGOs in Counterpart Database SOURCE: Counterpart data base INDICATOR DESCRIPTION: Number of Health NGOs as a proxy of Social Service NGOs. COMMENTS:	YEAR	PLANNED	ACTUAL
	1995		17
	1996	25	35
	1997	35	
	1998		

OBJECTIVE: 3.2 Improved sustainability of social benefits and services APPROVED: 7/24/96 COUNTRY/ORGANIZATION: Kyrgyzstan, USAID/CAR			
RESULT NAME: IR 3.2.2.3 Shift from public to private ownership and maintenance of housing			
INDICATOR: Increase in number of cooperatives managing buildings			
UNIT OF MEASURE: # of cooperatives SOURCE: International City/County Managers Association (ICMA) INDICATOR DESCRIPTION: the number of housing cooperatives that are known to USAID implementing partner. COMMENTS: The number of cooperatives is expected to rise by the end of the fiscal year.	YEAR	PLANNED	ACTUAL
	1995	NA	0
	1996	10	15
	1997	30	30 YTD
	1998	65	

OBJECTIVE: 3.2 Improved sustainability of social benefits and services APPROVED: 7/26/96 COUNTRY/ORGANIZATION: Kyrgyzstan, USAID/CAR			
RESULT NAME: IR3.2.2.1.2: Increased consumer participation in market based human services delivery			
INDICATOR: percentage of people actively choosing their primary health care provider in pilot oblasts			
UNIT OF MEASURE: % of oblast population SOURCE: Data base: Health Reform project INDICATOR DESCRIPTION: percent of population in pilot oblasts enrolled in family group practices COMMENTS: 1. 1996 -1997 refers to the pilot in Issyk-kul oblast. 2. 1998 refers to Osh oblast target	YEAR	PLANNED	ACTUAL
	1996	0	80
	1997	85	
	1998	90	
	1999		

OBJECTIVE: 3.2 Improved sustainability of social benefits and services APPROVED: 7/26/96 COUNTRY/ORGANIZATION: Kyrgyzstan, USAID/CAR			
RESULT NAME: IR 3.2.3.2 Increased participation by other donors			
INDICATOR: Successful pilot projects rolled out by other donors			
UNIT OF MEASURE: Number of USAID initiated projects expanded or extended by other donors. <hr/> SOURCE: Project data base <hr/> INDICATOR DESCRIPTION: Other donors initiating and expanding USAID pilot projects to other oblasts through additional funding. <hr/> COMMENTS: With the World Bank roll out to two other oblasts 50 percent of the oblasts of the country will be covered.	YEAR	PLANNED	ACTUAL
	1996	NA	0
	1997	0	2
	1998	2	
	1999		

SO 4.1 SPECIAL INITIATIVES

Reproductive Health

The Reproductive Health Services Expansion Program (RHSEP) was initiated in 1993. The purpose of the program was to promote the use of safe, modern contraceptives in order to decrease the dependence on abortions to control fertility. There were five USAID Cooperating Agencies (CAs) implementing the program in Kyrgyzstan: the Johns Hopkins Program for International Education in Obstetrics and Gynecology (JHPIEGO); Access to Voluntary Safe Contraception (AVSC); MACRO International through its Demographic and Health Survey (DHS) Project; the Johns Hopkins University Population Communication Project (JHU/PCS); and The Futures Group through its OPTIONS project and Social Marketing for Change (SOMARC) Project.

Under the RHSEP the Ministry of Health was assisted to develop and disseminate standardized Reproductive Health/Family Planning Guidelines. The Kyrgyz State Medical Institute has updated their Family Planning (FP) curriculum and has faculty trained as FP trainers. A model family planning training site was established at the Marriage and Family Consultation Center in Bishkek. Local trainers have now trained service providers in Talas, Karakol (Issyk-Kul Oblast) and Narin. The SOMARC Program was started first as a training program in injectables due to concerns about the viability of the commercial pharmaceutical sector. Therefore, in 1994 and 1995, the main activities were to train pharmacists and physicians in injectables and customer focus. In mid 1995, the Social Marketing Program assessed that a commercial contraceptive market was feasible as an extension of the Kazakhstan market. In 1996 a Public Relations and advertising campaign was launched in the commercial sector. A 1997 Demographic and Health Survey is currently being conducted.

The 1995 internal assessment of the RHSEP Program determined that the CAs had contributed significantly to increased use of modern contraceptives with a concurrent decrease in induced abortions. Further, other donors were beginning to provide support to this sector with USAID initiatives being used as the model. For example, in early 1997 the UNFPA signed an agreement with AVSC to provide reproductive training in their demonstration sites. UNFPA is also planning to use JHPIEGO training methodology to update the FP curriculum in all medical schools.

Based on the assessment and the increased donor activity, USAID determined to focus congressionally mandated earmark funds in FY 1997 on the component most directly relevant to and supportive of USAID's overall strategy for Kyrgyzstan: contraceptive social marketing. An external evaluation of the SOMARC program was conducted in February 1997 to guide this programming. The public relations work and training activities have undoubtedly contributed to the growing acceptance of hormonal methods among medical providers as seen by the increase of Ministry Health Statistics.

In FY1998 and FY1999 USAID will move to support policy, legal and regulatory reform, development of advocacy nongovernmental organizations (NGOs) in women's health and general improvement of women's health status with the focus on the health reform oblasts, and possibly a small initiative addressing the reproductive health needs of refugees from Tajikistan.

Medical Partnership

The Medical Partnership Program is between the Kyrgyzstan Institute of Oncology and Radiology, and the Institute of Obstetrics and Pediatrics medical facilities in Bishkek, Kyrgyzstan and the University of Kansas City Medical Center, Kansas. This partnership was established in October 1992 and entered its graduate phase in October 1995. The graduate phase will continue for two years and ends in October 1997. The areas of general focus for the partnership have been nursing reform, management training, neonatal resuscitation, and continuing education.

Some achievements are highlighted here. Partnership staff report that infant deaths throughout Kyrgyzstan have decreased by 30 percent. They maintain that this decrease can be attributed in part to the training in neonatal resuscitation provided under the partnership. The 1997 Kyrgyzstan Demographic and Health Survey will be an important source to confirm these data.

Several training events were conducted by U.S. partners on: the nursing administration; nursing association development; curriculum reform, management, and team building; reconstructive surgery and rehabilitation techniques for burn patients; mammography and ultrasound; family practice program; and new methods of bronchial asthma treatment.

Infectious Disease Program

USAID's work in infectious disease, specifically vaccine preventable diseases, in Kyrgyzstan started in 1992 under the REACH Project. The Project provided technical assistance for emergency relief concerning vaccine supplies, cold chain equipment, and introduction of the new immunization schedule consistent with World Health Organization (WHO) recommendations. The REACH Project ended in 1994 and was followed by the Basic Support for Institutionalizing Child Survival (BASICS) Project in 1994. BASICS continued the EPI (Expanded Program of Immunization) activities initiated under REACH and in 1996 began work with the Centers for Disease Control and Prevention (CDC) on the Central Asia Infectious Disease (CAIDP) Program.

With BASICS technical assistance and training a new immunization schedule which is consistent with the WHO recommendations and drastically reduces the number of contraindications was introduced to Kyrgyzstan. The first step in this work was the creation of a Republican Center for Immunoprophylaxis (RCI), including pediatricians and epidemiologists.

With BASICS technical assistance both rounds of Operation MECACAR (National Immunization Days for polio eradication held in April and May 1996) achieved greater than 95% coverage. No polio cases have been reported in 1996. According to the WHO Communicable

Disease Report of February 1997, the reported diphtheria cases in Kyrgyzstan decreased by 41% from 704 cases in 1995 to 412 cases in 1996.

Another main focus of BASICS technical assistance has been development of the Kyrgyzstan Immunization Management Information System (IMIS). This system was developed by an MIS Working Group appointed by the MOH, with BASICS assistance, and introduced during the pilot phase in Almadun Rayon, near Bishkek, over a one-year period (March 1995 to March 1996).

The system is based on a limited set of highly relevant indicators, such as Diphtheria, Pertussis, Tetanus (DPT-3) coverage and contraindications to DPT immunization, which are tracked monthly in each facility that provides immunization to children. Health workers analyze the data themselves each month to monitor progress toward specific targets, rather than passively reporting upward to national level, as in the past. The results of this approach were quickly apparent, both in the enthusiastic response of the health workers, and in marked increase in coverage and reduction of contraindications.

In June 1996, the Ministry of Health issued a regulation that mandates introduction of the new IMIS through out the country, and discontinuation of the old system as of January 1, 1997.

Three sets of manuals have been developed by BASICS over the past year in response to priorities and felt needs of MOH/Kyrgyzstan, as well as counterparts in other republics. They are: 1) *Vaccine Finance & Procurement*; 2) a *Handbook for Health Communications*; and (3) a *Vaccine Cold Chain and Logistics Manual*, developed specifically for immunization managers in the NIS.

The Participating Agency Service Agreement (PASA) between USAID and Centers for Disease Control and Prevention (CDC) was initiated in 1994 to strengthen and improve the surveillance systems and to produce and disseminate regularly published public health bulletins. It was based on a previous PASA for the NIS which worked in Kyrgyzstan and Uzbekistan.

CDC completed a thorough analysis of the infectious disease surveillance system providing recommendations to the Ministry of Health on possible improvements that would streamline and strengthen the current system. CDC provided Russian-language versions and trained all oblast-level Sanitary Epidemiological Services (SES) epidemiologists in the use of Epi-Info and Epi-Map software to facilitate the use of case-based surveillance to assist their efforts in control of infectious diseases, especially diphtheria and polio, two "high-priority" diseases. CDC conducted a burden of disease analysis in Issyk-kul Oblast in collaboration with the Health Reform Project assessing the specific incidence and costs of the most common illnesses in this oblast. These results and data were shared with the World Bank and were also used in the design and implementation of the USAID Infectious Disease Program.

In the fall of 1996, the USAID-funded Central Asian Infectious Disease Program (CAIDP) began which includes technical assistance from BASICS and CDC. It focuses in the Osh Oblast. CAIDP is also implemented in Fergana Oblast of Uzbekistan and Zhambul Oblast of Kazakhstan.

The goal of the CAIDP is to reduce children's morbidity and mortality due to Acute Respiratory Infections (ARI) and Diarrheal Diseases. A number of activities are underway in this initiative. For example, a Health Care Facility Assessment was conducted in Osh in November 1996.

A nasopharyngeal swab survey was conducted in Osh in January - February 1997. After confirmation of the results in the CDC/Atlanta laboratories, CDC will make recommendations regarding the most appropriate antibiotics to use in the treatment of childhood pneumonia, to determine whether carriage of *Hemophilus influenzae* serotype B (Hib) is observed in Osh Oblast, and whether the use of the Hib vaccine should be considered for the Kyrgyz Republic.

In conjunction with the World Health Organization (WHO), CDC completed a cost-effectiveness study comparing the traditional and WHO-recommended short course therapy (DOTS) currently being implemented with World Bank funding in two raions in Issyk-kul oblast. The purpose of this study was to determine the relative cost to the health care system and to patients of each of the two different therapies ("traditional" vs. "DOTS").

3. Performance Data Tables

OBJECTIVE: 4.1 Earmark-Reproductive Health APPROVED: N/A COUNTRY/ORGANIZATION: Kyrgyzstan, USAID/CAR			
RESULT NAME: N/A-Congressionally mandated earmark			
INDICATOR: Reduction in General Abortion Rate (GAR)			
UNIT OF MEASURE: General Abortion Rate (GAR) SOURCE: Ministry of Health (MOH) INDICATOR DESCRIPTION: Induced abortions per 1000 women ages 15-49. COMMENTS: 1. Data is calendar year data. It is available in March for the prior calendar year. 2. The 1997 Demographic and Health Survey data will be compared to MOH data to confirm validity and reliability.	YEAR	PLANNED	ACTUAL
	1994	-	33.4
	1995	-	29.6
	1996	-	26.6
	1997	25	

OBJECTIVE: 4.1 Earmark-Reproductive Health APPROVED: N/A COUNTRY/ORGANIZATION: Kyrgyzstan, USAID/CAR			
RESULT NAME: N/A-Congressionally mandated earmark			
INDICATOR: Increase in Couple Years of Protection (CYP)			
UNIT OF MEASURE: Couple Years of Protection (CYP) SOURCE: International manufacturers of Red Apple (Contraceptive Social Marketing Program logo) contraceptives. INDICATOR DESCRIPTION: Couple Years of Protection is the theoretical number of couples receiving contraceptive protection for a year. It is calculated using contraceptive specific denominators: 15 cycles of oral contraceptives equals one CYP; 100 condoms equals one CYP; 4 doses of Depo-Provera and six doses of Noresterat equals one CYP. COMMENTS: 1.) For this activity CYP is calculated utilizing the number of contraceptives sold by manufacturers to distributors. 2.) Kyrgyzstan entered the Red Apple program in 1995. Prior to that SOMARC focused on training pharmacists and physicians on Depo-Provera due to large delivery by UNFPA and no training available.	YEAR	PLANNED	ACTUAL
	1994	-	0
	1995	-	-
	1996	10,000	no data available
	1997		

OBJECTIVE: 4.1 Earmark-Infectious Disease APPROVED: N/A COUNTRY/ORGANIZATION: Kyrgyzstan; USAID/CAR			
RESULT NAME: N/A - Congressionally mandated earmark			
INDICATOR: Decrease in vaccine preventable diseases			
UNIT OF MEASURE: Percent of children under 2 years old who have completed the primary series for Diphtheria, Pertussis, and Tetanus (DPT). SOURCE: Ministry of Health (MOH) Data; 1997 Demographic and Health Survey (DHS) INDICATOR DESCRIPTION: Improve and maintain the vaccine coverage for children under 2 years old using DPT as a proxy COMMENTS: 1. Data reported by the MOH are not in accordance with International methods. The MOH does not include all eligible children under 2 years old as the base. Before calculating the rate they eliminate children with contraindications from the denominator. 2. The target for 1997 reflects two systems. "A" is the current MOH system as described in "1" above. "B" reflects that an accurate coverage rate should be provided by the MOH at the end of 1997 as Health facilities will report according to the revised Management Information System which is using the International method for reporting coverage rate, i.e. coverage will be for children below 1 year age.	YEAR	PLANNED	ACTUAL
	1995	-	93%
	1996		97.7%
	1997	A. 97.7% B. 87%	

OBJECTIVE: 4.1 Earmark - Medical Partnerships APPROVED: N/A COUNTRY/ORGANIZATION: Kyrgyzstan; USAID/CAR			
RESULT NAME: N/A - Congressionally mandated earmark. (Modern Management Techniques and Clinical Practices Introduced)			
INDICATOR: Number of health providers trained in modern management techniques and clinical practices.			
UNIT OF MEASURE: Number of health providers. <hr/> SOURCE: American International Health Alliance (AIHA). <hr/> INDICATOR DESCRIPTION: Increase in number of health providers trained in modern management techniques and clinical practices. <hr/> COMMENTS: 1. The current indicator replaces the previous one "Increase in <u>Number of Facilities Using</u> Modern Management Techniques and Clinical Practices." The previous indicator was based on a 1994 baseline of 23 with targets of 25 facilities in 1995 and 28 facilities in 1996 using modern management techniques and clinical practices. AIHA is unable to provide data needed by the indicator. AIHA reports on numbers of persons trained. 2. Planned 1997 target is cumulative (includes 1996 actual plus 1997 specific). The 1997 actual is as of 3/31/97.	YEAR	PLANNED	ACTUAL
	1996		47
	1997	107	57

OBJECTIVE: 4.1 Earmark-Infectious Disease APPROVED: N/A COUNTRY/ORGANIZATION: Kyrgyzstan; USAID/CAR.			
RESULT NAME: N/A - Congressionally mandated earmark.			
INDICATOR: Increase in number of health providers using modern management techniques.			
UNIT OF MEASURE: Percent of Oblasts. SOURCE: Ministry of Health Data. INDICATOR DESCRIPTION: Oblasts with new Expanded Program of Immunization Management Information System (EPI/MIS) . COMMENTS: The Ministry of Health approved the implementation of MIS in all oblasts beginning in January 1997.	YEAR	PLANNED	ACTUAL
	1995	0%	0%
	1996	15%	50%
	1997	100 %	

III. Status of the Management Contract

The Management Contract agreed to by the Mission and Washington during last spring's R4 reviews has not been significantly altered for Kyrgyzstan. However, it is important to note the following for use in this year's R4 discussions:

A. Strategic Objective Changes or Refinements: The Mission has changed the focus of the Regional Energy Strategic Objective 1.5, which has activities in Kyrgyzstan, to more fully reflect the role that energy will play in the economic development of Central Asia, as described in the Regional R4 for Central Asia. Also, the Mission has revised the R4 for the Regional Environmental Strategic Objective 3.3, which has activities in Kyrgyzstan. In contrast to last year, the new wording for this objective focuses on transboundary issues rather than just improved air, water, and waste management practices.

In the Mission's previous R4 submission, we indicated that Strategic Objective 2.3 was a "conceptual objective" which would be developed into a limited strategic objective. Currently, available funding limits the activities that can be accomplished under this strategic objective.

Finally, recent budget developments have meant that the Mission's programs in health reform and capital markets have had to be significantly reduced in Kazakhstan, Kyrgyzstan, and Uzbekistan. In the case of Kyrgyzstan, originally planned health reform activities -- which would have been designed to leverage resources from other international donors such as the World Bank -- can only be partially covered. Capital markets activities will only be minimally supported, meaning that the Mission will be unable to respond adequately to the dramatic progress in capital market policy now occurring in Kyrgyzstan.

B. Partnership For Freedom: The Mission sponsors six active partnerships in Kyrgyzstan in health, energy, environment, and NGOs. With the notable exception of the earmark-imposed health partnerships, these partnerships form an integral part of the Mission program. As such, they strongly complement our technical assistance efforts and will serve to continue our work even when USAID/CAR is no longer in Central Asia. In the future, we will seek opportunities to use partnerships in Kyrgyzstan when and where appropriate as an effective tool to amplify the impact of our ongoing programs.

C. Phase-Out Dates: USAID/CAR presented its framework for transition in the CAR countries in a cable sent to Washington in September 1996. In this document, the Mission argued that the entire CAR region should continue to be funded under the FSA (or other funds set aside for the former Soviet Union) for as long as possible. The Mission also argued that the end of FSA funding should not herald the end of an official USG technical cooperation presence. In addition, the Mission stated that phase-out should occur on a regional basis so as not to send the wrong political signal to the affected countries. Finally, the Mission noted that the current program in Central Asia fits well in the DA menu of activities and that a shift to DA funding at some later date would not entail any dramatic changes in ongoing activities. These issues will need to be further discussed in Washington during the formal R4 review process.

D. Environmental Compliance: At the current stage of development of Kyrgyzstan, environmental issues requiring IEEs and EAs rarely emerge. We are not aware of the need for any environmental impact assessments in Kyrgyzstan for FY 1998.

IV. Resource Requirements